



92 17 0571

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

☒ [X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 1991.

OR
[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 33-24470-D

INNOVA CORPORATION

(Exact name of Registrant as specified in its charter)

Colorado

84-0160181

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

8670 Wolff Court, Suite 170, Westminster, CO 80030

(Address of principal executive offices)
(Zip Code)

(303) 426-4383

Registrant's telephone number including area code

Indicate by check mark whether the registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or
for such shorter period that the registrant was required to file
such reports), and (2) has been subject to such filing requirements
for the past 90 days.

Yes _____ No X

The number of shares outstanding of the Issuer's Common
Stock as of June 8, 1992 is 23,763,130 shares.

PROCESSED BY

19-19:4
JUN 30 1992BEST COPY
AVAILABLE

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

See Page F-1

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Although Innova Corporation's (the "Company") liabilities are significantly in excess of its assets, the Company believes its liquidity position to be satisfactory so as to permit the Company's continued operations. Of the current liabilities, the 14% Convertible Debentures are carried as a \$542,500 current liability and a \$457,500 Common Stock liability. Originally, the Company sold \$1,000,000 worth of 14% Convertible Debentures. Debentureholders holding Four Hundred Fifty-Seven Thousand, Five-Hundred and no/100 Dollars (\$457,500) of such Debentures had advised the Company of their desire to convert to Common Stock of the Company. As of the date of this Report, such Common Stock has not been issued to the converting Debentureholders. The Debentures are 14% Convertible Debentures with interest payable at the rate of 14% per annum with the principal payable in five years from the date of issue (May 1995 through July 1996). Three Hundred Fifty Thousand and no/100 Dollars (\$350,000) of the Debentures were sold pursuant to a Private Placement Memorandum which, because of the existence of the outstanding warrants, may not have available an exemption from registration. Six Hundred Fifty Thousand and no/100 Dollars (\$650,000) of the Debentures were sold pursuant to an effective Registration Statement. The Prospectus inadvertently omitted the Company's Financial statements. Thus, as a result of these two factors, the full One Million Dollars (\$1,000,000) of Debentures may be subject to rescission.

The Company's Balance Sheet discloses a liability in the amount of \$913,550 (September 30, 1991) as deferred revenue from Distributors. This represents advance payments by distributors for purchases of Isolite as of such dates. Upon entry into a distributor agreement, each distributor must purchase an initial stocking inventory. Advance payment for such initial stocking inventory is required pursuant to the terms of the distributor agreement. Thereafter, payment for all product orders must be made by either wire transfer of funds, certified funds, cashier's check, or irrevocable bank letter of credit made in favor of the Company upon presentation of invoices and bills of lading. The Company utilizes this method of payment so as to avoid the situation of having ordered product on behalf of its distributors and then not having the distributor pay for the product. Management of the Company believes that such payment methods will favorably affect the Company's liquidity position.

Not all distributors have ordered product for delivery that equals their 50,000 pound purchase requirement. The principal reasons for this are: 1) They do not wish to warehouse the product, pay fees and increase their cost until several weeks of prospecting are complete; 2) They do not have their public warehouse set up; and 3) Freight on product is less expensive when shipped in full trailer load configuration. Most trailer loads represent approximately 40,000 pounds in product. As a result not all Distributors have fully satisfied their initial purchase requirements. As marketing of Isolite is still in the initial stages, the Company is continuing to work with its Distributors and is not requiring strict compliance with all minimum purchase requirements.

The Company's liquidity position has fluctuated substantially over the past nine (9) months. As of March 31, 1991, the Company had a cash position of \$314,474 and an inventory position in Isolite of approximately \$176,000 (at cost), with \$427,500 in deferred revenues, which include the Company's markup. As of December 31, 1991, the Company's cash position was \$331,752, and an inventory position in Isolite of approximately \$531,000, with deferred revenues of \$913,650. Included as part of the cash as of December 31, 1991 is \$250,000 which is required to be held as collateral for a \$350,000 letter of credit required by the supplier of Isolite. Subsequent to December 31, 1991, the Company has obtained such collateral from third parties. During December 1991 the Company sold 10,000,000 shares of the Company's Series A Convertible Preferred Stock to Sumitomo Corporation and Sumitomo Corporation of America (collectively "Sumitomo") in exchange for \$1,000,000 in cash. Historically, the Company's expenditures have always been in excess of revenues, and thus the Company's liquidity position has historically been weak. The Company incurred significant expenses with respect to the sale of Isolite Distributorships. As part of the Company's establishment of its distribution network, a significant number of employees were hired and significant expenses were incurred in marketing and selling the distributorships. Now, with most Distributorships for the United States sold, in an effort to reduce the Company's operating overhead, the Company has, during January of 1992, laid off eight (8) full-time employees. Management believes that this will help to reduce the Company's overhead so as to bring expenses in line with revenues. Management of the Company is continuing to review ways in which the Company's overhead may be reduced so as to allow the Company to operate on a profitable basis.

Although Management expects the Company to continue operating at a loss through the fourth quarter of fiscal year 1992, Management believes the Company's liquidity position will remain sufficient to continue operations. The Company's working capital deficit as of December 31, 1991 is approximately \$1,442,000; however, included as a current liability are \$1,000,000 of Debentures which may be subject to rescission. No claims have been

by Debentureholders for rescission, and the Company does not expect such claims in the future. Therefore, Management believes the effective working capital deficit is only \$442,000.

As the Consolidated Statements of Operations discloses, during fiscal year 1991 the Company incurred a loss of \$1,889,350. For the nine (9) months ended December 31, 1991, the Company has incurred a loss of \$1,815,246. Expenses for the nine (9) months ended December 31, 1991 principally consisted of expenses related to Isolite. \$1,620,140 of such expenses represent costs of goods sold, representing the cost of Isolite to the Company. \$954,204 of the expenses represent marketing and promotional expenses incurred in the offer and sale of the Distributorships and Isolite. General and Administrative costs are \$1,436,357; most of which was attributable to the development of the distribution system. Management of the Company has targeted this area as one of the principal areas in an attempt to obtain cost reductions. As described above, the Company has effectuated certain layoffs of employees and is reviewing other methods to reduce its general and administrative expenses.

Discontinued operations represent the sale of the Exceller Program subsidiary of the Company. Operating losses prior to the sale were \$213,000. As a result of the sale of Exceller, the Company realized a gain in the amount of \$213,000 by virtue of the buyer assuming liabilities of Exceller. The Company has no liability for the liabilities of Exceller incurred prior to its sale.

During fiscal year 1991, the Company's cash requirements increased substantially. This trend has continued for the nine (9) months ending December 31, 1991. This has been the result of the dramatic expansion of the Company, primarily due to the development of a marketing and distribution system for Isolite. The number of employees of the Company increased from seven (7) full-time employees to thirty-three (33) full-time employees, and was reduced to twenty-six (26) in January 1992. A substantial cash demand was placed upon the Company. This cash demand was met principally through the sale of Debentures, the receipt of revenues, and the sale of stock to Sumitomo.

As indicated by the Statement of Cash Flows, net cash used in operations for the nine (9) months ended December 31, 1991 was \$1,450,567. This more than doubled from the same period ended December 31, 1990. This was principally the result of the Company's extensive efforts in establishing its distributorship network for Isolite and incurred marketing expenses. As a result, the Company was required to raise extensive cash from financing activities. Net cash provided by financing activities was \$1,381,712; which, once again, more than double net cash provided from financing activities for the period ended December 31, 1990. \$1,000,000 of such cash was realized from the proceeds of the sale of preferred

Sumitomo. The Company also realized net proceeds from the Debenture offering for the nine (9) month period ended December 31, 1991 of \$330,000.

Operations continue to be net users of cash. Cash provided by financing activities has been, until fiscal year 1992, the principal supplier of cash for the Company. The nine (9) month period ended December 31, 1991 has seen the realization of significant revenues of approximately \$2,400,000. However, during such period of time, expenses also increased significantly, such that cash from financing activities in a significant amount was still required. While Management anticipates the Company will continue to grow, Management has determined that it is necessary to cut expenses particularly in the general and administrative area if the Company is to obtain profitable operations. Management's objectives for fiscal year 1993 are to achieve profitable operations based on the sale of Isolite. However, as has been noted, as marketing of Isolite in the United States is in its initial phases, there can be no assurance that revenues from product sales will be sufficient to meet expenses. Thus, the Company may find it necessary to continue to raise cash through financing activities to support its operations.

Capital Resources

As of December 31, 1991, the Company has no firm material commitments for capital expenditures. It is the intent of management of the Company to continue with the development and expansion of its marketing and distribution program for Isolite. Management believes in order for the Company to obtain profitable operations, it must continue to expand such marketing and distribution program for Isolite without significantly increasing its operating overhead. Management believes it will be able to continue expansion of its marketing and distribution program for Isolite through sales of Isolite by its Distributors as well as internally attempting to generate sales of Isolite to large retail and end users without expansion of its staff or facilities. Management does not intend to incur any material capital expenditures unless sufficient capital resources are available or reasonably anticipated to be available to satisfy commitments for such capital expenditures.

For the nine (9) months ended December 31, 1991, the Company realized significant revenues in the amount of \$2,419,461. It is Management's anticipation that this level of revenues will increase.

The ratio of the Company's current assets to current liabilities has improved slightly during the three (3) month period ended December 31, 1991. This is principally due to enhancement of the Company's cash position as the result of the sale of 10,000,000 shares of Series A Convertible Preferred Stock to Sumitomo in

exchange for \$1,000,000 in cash as well as the receipt of revenues from operations. In the event revenues continue at the current levels or increase, Management of the Company anticipates its current asset to current liability ratio will continue to improve.

Results of Operations

Historically, the Company's revenues for the year ended March 30, 1990 was \$12,013, for the year ended March 31, 1991 was \$105,855, and for the nine (9) month period ending December 31, 1991 was \$2,419,461. Of this amount, product sales consisting of Isolite accounted for \$2,046,794, with license fees of \$343,038. The reason for the dramatic increase in revenues during the nine (9) month period ended December 31, 1991 was that the Company did not begin marketing distributorships for Isolite until the fourth quarter of fiscal year 1991 (January 1, 1991 through March 31, 1991). As a result, the Company received some revenues from the sale of Distributorships and from the sale of Isolite during the fourth quarter of fiscal year 1991. However, as a result of the Company's planning during fiscal year 1991, significant sales of Distributorships and sales of Isolite occurred during the nine (9) month period ended December 31, 1991. Distributorships representing 87% of the country have been sold to Distributors; therefore, the Company does not anticipate the receipt of any further significant revenues from the sale of Distributorships. Each Distributor, upon entering into a Distributorship Agreement with the Company is required to pay a \$5,000 license fee and to purchase an initial order of \$25,000 of Isolite. Thus, the sudden surge in sales of Isolite and Distributorships was the result of the implementation of planning which occurred during fiscal year 1991. Further, the Distributorships require ongoing purchases of minimum quantities of Isolite. For such reason, the Company anticipates the receipt of continued revenues from the sale of Isolite.

The Company's experience to date with respect to the Distributors meeting their minimum purchase requirements has been that approximately twenty-two percent (22%) of such Distributors have been unable to meet such minimum purchase requirements. Significant numbers of such Distributors which are unable to meet minimum purchase requirements are located in northern territories of the United States which experience severe winters. As the Company's product, Isolite, is related to turf use, during the harsh winter months there is virtually no outdoor demand for the product. Accordingly, such Distributors have had problems making sales in those areas of the country which experience severe winters. Management believes that penetration into the retail markets for indoor use will subsidize revenue to such Distributors during winter months. With respect to such Distributors which the Company believes are utilizing their best efforts to meet their minimum purchase requirements, the Company has agreed to modify the minimum purchase requirements rather than terminate the Distributor

Agreements. The Company is working with its Distributors in an effort to help the Distributors meet their minimum purchase requirements. Some Distributors have experienced a financial inability to meet their minimum purchase requirements and in such event, in most cases, the Company has again modified the minimum purchase requirements to assist its Distributors. In approximately three (3) cases, the Company has terminated its relationship with the Distributor and is reselling the territory. Although in certain areas of the country sales of Isolite are seasonal, the Company still expects its Distributors to ultimately satisfy their minimum purchase requirements.

Although the Company has experienced significant revenues for the nine (9) month period ended December 31, 1991, the Company operated at an overall loss of \$1,815,246. The single largest expense represents costs of goods sold of Isolite of \$1,620,140. General and Administrative costs were second at 1,436,357 related to establishment of the Isolite distributor network. Management of the Company has targeted General and Administrative Expenses as one of the principal areas attempting to reduce costs and expenses. Marketing and promotional expenses related to Isolite were \$954,204. Management of the Company anticipates a reduction in these expenses as a significant amount of these expenses were related to advertising and marketing of the Distributorships which have now been sold.

Management believes that it has established initial name recognition from Isolite. Management believes that it has achieved penetration of Isolite into the golf market which will, in turn, establish market recognition for the product. This is anticipated to lead to accelerated penetration in all markets as typically, when a turf product is accepted by a high profile group, such as golf courses, it becomes a recognized product. Although costs of goods sold is approximately three-fourths of sales revenues, management does not believe this ratio will change significantly. Management does believe that as sales increase, other expenses consisting of general and administrative expense and marketing and promotional expense will not continue to increase, thus ultimately resulting in profitable operations.

Management anticipates the Company will experience an overall operating loss for fiscal year 1992. Management anticipates that if revenues continue their upward swing and Management is able to successfully reduce its costs and expenses, fiscal year 1993 would result in an operating profit for the Company.

Management believes that inflation has virtually no impact upon the Company's net sales, revenues or income from continuing operations nor is it expected in the immediate future to have any significant impact.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Reference is hereby made to Item 3 in Form 10-K for the fiscal year ending March 31, 1991 for a full description of legal proceedings. During the quarter ending December 31, 1991, no material developments in such litigation occurred.

Item 2. Changes in Securities

In December of 1991, the Company issued 10,000,000 shares of Series A Convertible Preferred Stock to Sumitomo Corporation and Sumitomo Corporation of America in exchange for \$1,000,000. The Series A Convertible Preferred Stock is convertible at the rate of one (1) share of Preferred Stock into one (1) share of Common Stock, subject to certain limitations. The Series A Convertible Preferred Stock carries a liquidation preference in the aggregate of \$1,000,000. The Series A Convertible Preferred Stock carries no dividend preference and no voting rights, other than the right to elect one member to the Company's Board of Directors.

In connection with the sale of the 10,000,000 shares of Series A Convertible Preferred Stock, the Company issued to Sumitomo Corporation and Sumitomo Corporation of America an aggregate of 15,000,000 Class C Warrants. Each Class C Warrant is convertible into one (1) share of Series A Convertible Preferred Stock at a price of \$.25 per share.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Securities Holders

On December 2, 1991, a Special Meeting of the Shareholders of the Company was held to consider amending the Company's Articles of Incorporation so as to authorize the creation of Preferred Stock. The Shareholders unanimously approved the authorization for the establishment of Preferred Stock of the Company.

Item 5. Other Information

In December of 1991, the Company issued and sold to Sumitomo Corporation and Sumitomo Corporation of America an aggregate of 10,000,000 shares of Series A Convertible Preferred Stock. Each share of Series A Convertible Preferred Stock is convertible into one (1) share of Common Stock at no cost to the holder. The right to convert the Series A Convertible Preferred Stock into Common Stock is subject to certain restrictions. The holders of the Series A Convertible Preferred Stock have the right to elect one member to the Company's Board of Directors.

In connection with the sale of the 10,000,000 shares of the Series A Convertible Preferred Stock, the Company issued to Sumitomo Corporation and Sumitomo Corporation of America an aggregate of 15,000,000 Class C Warrants. Each Class C Warrant is convertible into one (1) share of Series A Convertible Preferred Stock at a price of \$.25 per share.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

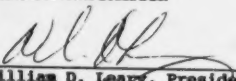
(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

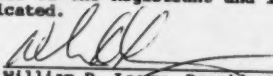
INNOVA CORPORATION



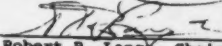
William D. Leary, President

Dated: June 19, 1992

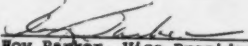
Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: 

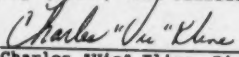
William D. Leary, President, Treasurer, and Director

By: 

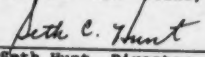
Robert B. Lange, Chairman of the Board of Directors

By: 

Roy Parker, Vice President, Secretary and Director

By: 

Charles "Vic" Kline, Director

By: 

Seth Hunt, Director

By: _____
Dr. John Hernandez, Director

INNOVA CORPORATION AND SUBSIDIARIES
(Formerly NEW GOLF CONCEPTS, INC.)
CONSOLIDATED BALANCE SHEETS

	DEC 31, 1991 (unaudited)	MARCH 31, 1991
ASSETS		
CURRENT ASSETS:		
Cash	331,572	314,474
Accounts receivable, with no allowance deemed necessary	62,484	680
Notes receivable:		
Distributors	-	67,500
Employees	12,000	7,000
Inventory	615,659	260,060
Prepays	40,546	8,000
Current assets of discontinued operations	-	17,200
Total current assets	<u>1,062,261</u>	<u>674,914</u>
PROPERTY AND EQUIPMENT:		
Equipment, net of accumulated depreciation	94,791	50,744
Partially developed golf course	-	223,000
OTHER ASSETS:		
Deferred Debiture Costs, net	25,500	30,000
Deposits and other	18,244	2,460
Assets of discontinued operations	-	22,400
	<u>1,200,796</u>	<u>1,003,518</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable	254,314	136,033
Payable - related parties	141,000	-
Accrued interest	98,434	51,000
Other accrued expenses	96,472	-
Debentures	542,500	670,000
Deferred revenue, distributors	913,650	427,500
Common stock liability - converted debentures	457,500	-
Current liabilities of discontinued operations	-	186,600
Total current liabilities	<u>2,503,870</u>	<u>1,471,133</u>
NOTES PAYABLE		
	-	209,000
COMMON STOCK LIABILITY		
	205,000	360,000
STOCKHOLDERS' (DEFICIT)		
Convertible preferred stock, no par value (stated value of \$.005 per share), 50,000,000 shares authorized, 10,000,000 shares issued and outstanding liquidation preference of \$1,000,000	50,000	-
Common stock, no par value 100,000,000 shares authorized; 21,284,374 and 15,796,500 and outstanding, respectively	1,556,846	1,008,059
Additional paid in capital	1,075,983	330,983
Accumulated deficit	(4,190,903)	(2,375,657)
Total stockholders' (deficit)	<u>(1,508,074)</u>	<u>(1,036,615)</u>
	<u>1,200,796</u>	<u>1,003,518</u>

BINOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE 3 MONTHS ENDED		FOR THE 9 MONTHS ENDED	
	DECEMBER 31		DECEMBER 31	
	1991	1990	1991	1990
REVENUES				
Product sales	335,007	18,017	2,046,030	24,065
Licence fees	-	-	343,038	-
Interest and other	6,599	-	20,293	-
Total revenues	<u>341,606</u>	<u>18,017</u>	<u>2,419,461</u>	<u>24,065</u>
COSTS AND EXPENSES				
Cost of Goods Sold	293,063	13,780	1,820,140	16,878
Marketing and promotional	213,497	53,209	954,304	131,915
Issuance of stock for services	-	-	137,075	44,600
Interest	30,586	15,112	86,931	20,013
General and administrative costs	<u>524,958</u>	<u>204,098</u>	<u>1,438,357</u>	<u>494,716</u>
Total expenses	<u>1,072,104</u>	<u>286,199</u>	<u>4,234,707</u>	<u>708,122</u>
LOSS FROM OPERATIONS BEFORE DISCONTINUED OPERATIONS	(730,498)	(268,182)	(1,815,246)	(684,057)
DISCONTINUED OPERATIONS:				
Operating (loss)	-	(64,000)	(213,000)	(64,000)
Gain on sale	<u>-</u>	<u>-</u>	<u>213,000</u>	<u>-</u>
	<u>0</u>	<u>(64,000)</u>	<u>0</u>	<u>(64,000)</u>
NET LOSS	<u>(730,498)</u>	<u>(332,182)</u>	<u>(1,815,246)</u>	<u>(748,057)</u>
NET LOSS PER COMMON SHARE				
Continued Operations	(0.03)	(0.02)	(0.10)	(0.05)
Discontinued Operations	<u>0.00</u>	<u>(0.01)</u>	<u>0.00</u>	<u>(0.01)</u>
NET LOSS PER SHARE	<u>(0.03)</u>	<u>(0.03)</u>	<u>(0.10)</u>	<u>(0.06)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>21,344,375</u>	<u>13,500,000</u>	<u>18,662,153</u>	<u>13,500,000</u>

INNOVA CORPORATION
(FORMERLY NEW GOLF CONCEPTS, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FROM APRIL 1, 1991 THROUGH DEC 31, 1992
(Unaudited)

	COMMON STOCK		PREFERRED STOCK		PAID-IN CAPITAL	DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE
	SHARES	AMOUNT	SHARES	AMOUNT		
BALANCE, April 1, 1991	15,796,500	1,008,059	-	-	530,983	(2,375,657)
Shares issued for cash						
Directors	300,000	30,000	-	-	-	-
Distributors	217,125	21,712	-	-	-	-
Others	200,000	20,000	-	-	-	-
Shares issued for services						
Directors	3,500,000	350,000	-	-	-	-
Employees	1,129,749	112,975	-	-	-	-
Others	150,000	15,000	-	-	(205,000)	-
Preferred shares issued for cash	-	-	10,000,000	50,000	950,000	-
No Iss	-	-	-	-	-	(1,815,246)
BALANCE, Dec 31, 1992	21,284,374	1,556,846	10,000,000	50,000	1,075,983	(4,190,903)

INOVA CORPORATION AND SUBSIDIARIES
(formerly New Golf Concepts, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	FOR THE 9 MONTHS ENDED	
	DEC 31, 1991	DEC 31, 1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(1,815,246)	(748,037)
Adjustments to reconcile net loss to net cash by operating activities:		
Stock for services	137,075	44,600
Depreciation	11,000	7,420
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(61,804)	2,618
Notes Receivable	82,308	(463)
Inventories	(355,399)	(26,360)
Prepays	(32,546)	(40,000)
Other assets	(11,284)	(4,537)
Assets of discontinued operations	39,600	-
Increase (decrease) in:		
Accounts payable	118,281	54,343
Notes payable - related parties	141,000	-
Deferred revenue	496,150	-
Other liabilities	47,434	39,770
Accrued expenses	96,472	-
Liabilities of discontinued operations	(186,600)	-
Net cash used by operating activities	(1,323,567)	(670,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(55,047)	(16,937)
Abandonment of golf course development	14,000	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debtors, net	330,000	565,000
Proceeds from issuance of common stock	71,712	-
Proceeds from issuance of preferred stock	5,000,000	-
Common stock liability	(20,000)	(37,100)
Contributed Capital	-	205,000
Net cash provided by financing activities	1,381,712	712,900
NET INCREASE IN CASH	17,698	25,297
CASH, beginning of year	514,474	133,918
CASH, end of year	532,172	159,215
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	28,798	-
Golf course purchased (abandoned) for debt issuance of common stock for common stock and partnership interest	(289,000)	-
	477,875	-

INNOVA CORPORATION AND SUBSIDIARIES

(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. GENERAL

Management has elected to omit substantially all notes to the consolidated unaudited interim financial statements. Reference should be made to the Company's annual report on Form 10-K for the year ended March 31, 1991, as this report incorporates the notes to the Company's year-end financial statements.

2. UNAUDITED INTERIM INFORMATION:

The unaudited interim financial statements contain all necessary adjustments (consisting of only normal, recurring adjustments), which, in the opinion of management, are necessary for a fair presentation of the results for the interim period presented. The results of operations for the interim periods are not necessarily indicative of those expected for the year.

3. DEBENTURES:

During December 1991, debenture holders of \$463,000 of debentures (plus approximately \$40,000 of accrued interest) agreed to convert their debentures and interest into approximately 2,012,000 shares of common stock, these shares have not yet been issued by the Company.

4. STOCKHOLDERS' EQUITY:

Subsequent to March 31, 1991, the Company issued an additional 1,120,749 (unaudited) shares to officers and employees, 100,000 shares to a director and 150,000 to others for services rendered during fiscal 1992. In addition, the Board has authorized the issuance of 150,000 shares to an employee. These shares will vest over two years.

Preferred Shares - In December 1991, the Company sold to their supplier of Isolite and its U.S. subsidiary, 10,000,000 shares of preferred stock for \$1,000,000. These shares are non-voting and dividends shall only be paid to the common shareholders, with no dividend preferences. The preferred shares have a liquidation preference of \$1,000,000 and are convertible into common stock on a 1 for 1 basis. The preferred shareholders also received 15,000,000 Class C warrants. Each warrant entitles the holder to purchase one share of common stock at \$.25 for a two year period through December 2, 1993. The preferred shareholders also have the right to join in or require, on a one-time basis, the Company to register the common shares underlying the preferred stock and warrants under the Securities Act of 1933 or 1934.

ENNOVA CORPORATION AND SUBSIDIARIES

(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

4. STOCKHOLDERS' EQUITY(continued):

Stock Option Plans - During the period ended September 30, 1991, the Company authorized the issuance of options to purchase 9,685,000 shares of common stock to officers, directors and employees at \$10 under the NQP. The options vest as follows:

<u>MARCH 31,</u>	<u>OPTIONS</u>
1992	2,515,000
1993	2,515,000
1994	2,515,000
1995	1,415,000
1996	<u>725,000</u>
	9,685,000

Distributor Stock - As part of the Company's agreement with its distributor of Isolite, it has agreed to issue up to 250,000 shares of common stock, of which 217,125 shares have been issued through December 31, 1991. The Company also has authorized options to distributors to purchase up to 3,375,000 shares of common stock at \$.50 per share, provided certain sales quotas are achieved.

5. COMMITMENTS:

Exceller - During 1991, the Company sold to a limited partnership, of which Exceller was the general partner, an aggregate 5.125% future revenue interest in its golf school for \$205,000. As of March 31, 1991, this transaction has been recorded as a contribution to Exceller's equity rather than as a sale of a revenue interest because Exceller's was a development stage company. A Director of the Company purchased \$20,000 of this interest. As a result of the sale of Exceller (see below) the Company expects to make a formal offer to purchase this interest for shares of the Company's common stock. However, the exchange rate for shares to be offered to purchase this interest has not been determined. Therefore, the \$205,000 has been recorded as "Partnership Interest Liability" as of December 31, 1991.

In October 1991, the Company sold for a \$150,000, 6% note, its common stock ownership of Exceller to employees of Exceller. The note is due over an extended period beginning in May 1992, and is collateralized only by the common stock of Exceller. This sale resulted in a gain as the new owners assumed the obligations of Exceller. The \$150,000 note has not been recorded as an asset of the Company, and payments on the note will be recognized as income when received by the Company.

INOVA CORPORATION AND SUBSIDIARIES

(formerly New Golf Concepts, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

5. COMMITMENTS AND CONTINGENCY(continued):

Supplier and Letter-of-Credit - There is only one supplier of Isolite, who also became the preferred stockholder in December 1991. The loss of their commitment to provide Isolite to the Company would adversely affect the Company's future operations; however, the Company has an exclusive contract to distribute Isolite in the United States until June 30, 1996. This supplier also requires the Company to maintain an irrevocable stand-by letter-of-credit with a bank for \$350,000. In prior periods and subsequent to December 31, 1991, this credit facility has been guaranteed by private investors for which the Company has paid guarantor fees. As of December 31, 1991, the Company has used \$250,000 of their cash to guarantee a portion of the credit facility, however as discussed above the amount was subsequently released.

6. GOLF COURSE FACILITY:

During 1991, the Company purchased a partially developed golf course in Palisade, Colorado. Pursuant to this purchase, the Company paid \$5,000 and was obligated to pay an additional \$290,000. Through March 1992, the Company can perform certain due diligence on the property and may rescind this purchase. Based upon the Company's negative working capital and its present intent to focus its primary efforts on further development of the market for Isolite, the Company currently does not expect to pursue development of the golf facility. Therefore, the obligation and related asset have been removed from the financial statements as of November 30, 1991. The Company believes it has no further financial obligations in connection with this project.

7. PAYABLE - Related Parties:

As of December 31, 1991, the Company has two notes totaling \$77,000 to officers, which represent advances made by third parties to the officers. The notes are due on demand, without collateral at 6%. In addition, other persons generally related to the Company have advanced \$64,000 to the Company for notes which have not yet been prepared. The Company expects these advances will be converted into notes similar to the notes to other related parties.